### *(c) Commission Decision*

*The Commission finds that Taylor Comm.'s cost study does not follow TELRIC principles and, therefore, cannot be used to determine reciprocal compensation rates. The Commission acknowledges the adjustments that Taylor Comm. made to the QSI study but notes that the revised rate of $0.002858 per minute is still significantly higher than the end office rate of $0.001507 approved in the Mega-Arbitrations. While the FCC allows a CLEC to petition for higher reciprocal compensation rates than those of the ILEC, the CLEC must show that it is using the most cost-effective, forward-looking method possible to serve customers.[166] Taylor Comm. failed to meet this burden.*

*Taylor Comm.'s inclusion of the costs of connecting its end-use customers to its switches is the most fundamental flaw of the QSI cost study. The Commission agrees with SWBT that those costs should not be included in the calculation of reciprocal compensation. The Commission concludes that Taylor Comm.'s inclusion of these costs results in a significant overestimation of costs by the QSI cost study. The Commission suspects that if these elements were deleted from the study, Taylor Comm.'s rates would be much closer to those approved in the Mega-Arbitration proceedings.*

*The Commission also agrees with SWBT that the QSI study should use switch capacity rather than actual demand. The Commission concludes that the use of actual demand violates TELRIC principles.*

*Further, although Taylor Comm. states that only traffic-sensitive elements should be included in reciprocal compensation rates, it assigns the majority of costs associated with elements such as recycling fees and entertainment to the traffic-sensitive portion of the QSI cost study. The Commission finds that Taylor Comm.'s failure to sufficiently explain the relationship between these elements and the number of minutes terminated in its switch further undermines the cost study's results.*

2. *Southwestern Bell Cost Study and ISP-Specific Reciprocal Compensation Rates*

*(a)* ***SWBT Position***

SWBT supports the use of the Mega-Arbitrations' local switching UNE cost study to determine the appropriate rates for the termination of local voice traffic. The cost study includes the investment necessary for call set-up, call termination, and vertical services. SWBT contends, however, that ISP-bound traffic does not require the use of all of these functions and argues that the total costs in that study should not be attributed to ISP-bound traffic. SWBT also indicates that the average hold times are approximately three minutes for voice calls as compared to 29 minutes for Internet calls.[167] SWBT notes that a principal reason that it is less costly to terminate an ISP-bound call than a voice call is the longer average hold time. SWBT explains that a comparison of one 29-minute ISP-bound call to the equivalent minutes of voice calls yields nine additional call set-ups for the voice calls. Moreover, SWBT states that the stable and longer ISP-bound call does not require as many network resources as calls that have a much shorter average holding time. SWBT concludes that each time a call is set-up and torn down, additional network resources are used compared to a call that is more stable.[168]

SWBT relies on its ISP-bound traffic (IBT) cost study to demonstrate that ISP-bound traffic is fundamentally different from voice traffic and should not be subject to reciprocal compensation, although SWBT does not propose that the cost study be used to set rates.[169] SWBT's IBT cost study measures costs associated only for dial-up, 56 kilobit Internet calls. SWBT contends that the difference in call duration between voice and ISP-bound traffic justifies separating the traffic for rate purposes, with ISP-bound traffic costing approximately 20% the cost of voice traffic. In addition to using a 29-minute average hold time for ISP-bound traffic,

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[166] 47 C.F.R. 51.711(b).

[167] SWBT Ex. No. 16, Direct Testimony of Ed Wynn at 7.

[168] SWBT Ex. No. 5, Direct Testimony of Robert Jayroe at 6.

[169] SWBT Ex. No. 13, Rebuttal Testimony of Barbara Smith at 6-7.

SWBT states that the IBT cost study assumes that the switches terminating the ISP-bound traffic have no vertical services, which it contends are unnecessary for ISP-bound calls, and are the absolute minimum necessary to complete the ISP connection.[170] SWBT explains that its voice traffic study, however, does not make these assumptions, but rather includes the programming of vertical and other services into the switch, thereby increasing the switching costs for voice traffic, regardless of the call duration. Despite these differences in the cost studies, SWBT admitted on cross-examination that ISP-bound traffic uses the same switches and the same network as voice traffic.[171]

The peak traffic hour in the SWBT IBT study is assumed to be the peak hour for ISP traffic. SWBT asserts that this peak hour increases costs because it requires more switching resources to accommodate increased usage at the peak hour. SWBT also contends that the switches must be engineered in a manner to handle all traffic, not just a subset of traffic.[172]

*(b) CLECs' Positions:*

Taylor Comm. avers that the costs associated with the termination of ISP traffic are the same as that for traditional voice traffic. Taylor Comm. contends that the SWBT IBT cost study erroneously concludes that the costs associated with terminating ISP-bound traffic are a fraction of those approved in the Mega-Arbitrations. Taylor Comm. also argues that the SWBT IBT cost study does not follow TELRIC principles and is not representative of CLEC costs.[173] According to Taylor Comm., SWBT's assumption of a host/tandem architecture is not accurate for most CLECs and underestimates CLEC costs. Taylor Comm. states that although the host/tandem architecture allows switches to share functionality and, therefore, lower their costs, CLECs do

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[170] SWBT Ex. No. 13, Rebuttal Testimony of Barbara Smith at 3-4 and SWBT Ex. No. 19, SWBT IBT Cost Study at SWBT200005.

[171] Tr. at 199-204 (April 4, 2000).

[172] SWBT Ex. No. 15, Rebuttal Testimony of William Taylor at 10-11.

[173] Taylor Comm. Ex. No. 1, Direct Testimony of August H. Ankum at 52-53, 55; Taylor Comm. Ex. No. 4, Rebuttal Testimony of Charles Land at 13-14.

not use this type of architecture because they have yet to achieve the size of ILECs such as SWBT.[174]

WCOM and ICG state that reciprocal compensation rates should be symmetric and should include ISP-bound traffic.[175] These CLECs contend that symmetric rates promote efficiency and low-cost methods for terminating calls because they allow exceptionally efficient carriers a higher profit.[176]

Given that ISP-bound traffic uses the same public switched telephone network as voice traffic, AT&T argues it is incorrect to separate ISP-bound traffic for costing purposes. By example, AT&T contends that consideration of only ISP-bound traffic in the SWBT IBT study misstates the peak hour usage of the network and asserts that all traffic should have been considered in making this estimation.[177] AT&T further argues that the SWBT IBT cost study is an incremental cost study inconsistent with the TELRIC framework.[178] In support of this argument, AT&T cites the inability to accurately separate ISP traffic from voice traffic, the exclusion of tandem switching costs, and the exclusion of many components of end-office switching costs, *i.e.*, Signal System 7 (SS7) capability.[179] Additionally, AT&T advocates the minute-is-a-minute approach in determining network costs, asserting there should be no differentiation in costs by types of traffic.[180]

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[174] Taylor Comm. Ex. No. 1, Direct Testimony of August H. Ankum at 61-63, 65.

[175] WCOM Ex. No. 1, Direct Testimony of Don Price at 4; Coalition Ex. No. ICG-3, Direct Testimony of Don Wood at 8.

[176] WCOM Ex. No. 1, Direct Testimony of Don Price at 4.

[177] AT&T Ex. No. 3, Direct Testimony of Lee L. Selwyn at 15-17.

[178] AT&T Ex. No. 1, Direct Testimony of Daniel P. Rhinehart at 14.

[179] *Id.* at 7.

[180] *Id.* at 9.

Finally, AT&T argues that the 90% processor utilization factor used in the SWBT IBT cost study is too high and underestimates true costs. AT&T points out that the 90% rate was approved in the Mega-Arbitration proceedings for a slightly different purpose, noting that no unit cost figures based on the 90% processor utilization value were used to establish local switching rates in those proceedings. Questioning the propriety of using the 90% processor utilization factor, AT&T observes that the range of resulting cost calculations can vary as much as 100-fold when the assumptions employed vary between 0% utilization to 100% utilization.[181]

AT&T offers a counter method for setting reciprocal compensation rates that treats traffic within an entire LATA as local traffic. The rates proposed by AT&T are largely based on costs determined in the Mega-Arbitrations, with small changes in certain assumptions. For example, AT&T assumes that the average mileage for transport is longer than that assumed in the Mega-Arbitrations in view of the inclusion of more rural, less dense areas in a LATA. The AT&T method also includes use of the tandem switch charge.[182] The AT&T proposal results in a blended rate of $0.0024654 per minute.[183]

The Coalition, like AT&T and ICG, contend that the SWBT IBT cost study is faulty. Coalition witness Mr. Montgomery supports the testimony of AT&T witness Mr. Rhinehart and ICG witness Mr. Wood setting forth the flaws in the SWBT IBT cost study.[184] The Coalition is also critical of the SWBT IBT's use of two usage studies. It asserts that the first usage study attempts to separate ISP-bound traffic and measure the number of minutes that fit criteria established by SWBT as indicators of an Internet dial-up call, including the number of incoming calls and the duration of those calls. With regard to the second study, which counts the minutes of voice and data traffic for two SWBT central offices, the Coalition argues there is no scientific or logical reason for using those specific central offices . According to the Coalition, the data

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[181] *Id.* 17-20.

[182] AT&T Ex. No. 7, Direct Testimony of Jon A. Zubkus at Attachment 1.

[183] AT&T Ex. No. 7, Direct Testimony of Jon A. Zubkus at 5.

[184] Coalition Ex. No. CLEC-2, Rebuttal Testimony of William Page Montgomery at 11-12.

obtained from the two offices differ from each other significantly and, consequently, cannot be used to determine any traffic patterns.[185]

*(c) Commission Decision*

*All parties agree that the SWBT IBT cost study should not be used to set reciprocal compensation rates. The Commission concludes that the SWBT IBT cost study is not a TELRIC study and also cannot be used to justify differentiating ISP-bound traffic and voice traffic for costing purposes. At this time, the Commission declines to distinguish voice from ISP-bound traffic for purposes of setting reciprocal compensation rates.*

*The Commission has rejected AT&T's proposed LATA-wide calling scope and also rejects AT&T's LATA-wide blended rate. See discussion in DPL Issue No. 2.*

*3. The Bifurcated Rate*

During the initial hearing on the merits, there was considerable discussion of the development of a bifurcated local switching rate that would address the three-minute average voice call length used in the approved Mega-Arbitration local switching rate and the 29-minute average ISP-bound call length used in the SWBT IBT study.[186] The Commission expressed interest in a two-part rate that separates call set-up from call duration costs, which would mitigate any over-compensation resulting from the rate structure adopted in the Mega-Arbitrations, which is predicated upon call duration only.

***(a) Parties' Positions***

After the initial hearing on the merits, AT&T witness Mr. Rhinehart initiated discussions with SWBT witness Ms. Smith regarding the possibility of calculating a two-part local switching

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[185] Coalition Ex. No. CLEC-1, Direct Testimony of William Page Montgomery at 53-57.

[186] *See* Tr. at 231-275 (April 4, 2000) and 427-431 (April 5, 2000).

rate consisting of a per-message set-up charge and a per-minute-of-use charge that would be consistent with the local switching and reciprocal compensation rates for local switching adopted in the Mega-Arbitrations.[187] Ms. Smith and Mr. Rhinehart agreed that the appropriate surrogate for separating set-up and duration costs can be based on an approved SWBT local service basic network function (BNF) cost study that identified local switching investment on a set-up and duration basis.[188] Ms. Smith and Mr. Rhinehart developed a ratio using both interoffice and intraoffice calling investments.[189] Although their calculations were performed independently, Ms. Smith and Mr. Rhinehart both calculated rates of $0.0010887 per call and $0.0010423 per minute for end-office switching.[190] Ms. Smith indicated that she participated in several conference calls with AT&T and other CLEC petitioners to revise, clarify and explain the methodology and calculations based on input from other CLEC cost witnesses.[191]

SWBT, WCOM, AT&T, ICG, and the Coalition indicate that the bifurcated rate concept is acceptable.[192] Taylor Comm. opposes the bifurcated rate because its network is not limited in capacity by a call set-up function and argues that such a rate would not compensate Taylor Comm. for legitimate costs incurred in terminating SWBT's ISP-bound traffic.[193] Level 3, KMC, and Adelphia oppose implementation of the bifurcated rate, citing a lack of evidentiary

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[187] AT&T Ex. No. 11, Affidavit of Daniel P. Rhinehart.

[188] *See Southwestern Bell Telephone Company's Application for Approval of LRIC Studies for Basic Network Access Channel Nonstandard 4-Wire, Type O, et. al., Pursuant to PUC SUBST. R. 23.91*, Docket No. 16657.

[189] SWBT Ex. No. 28, Affidavit of Barbara Smith; AT&T Ex. No. 11, Affidavit of Daniel P. Rhinehart.

[190] Tr. at 519-524 (May 18, 2000). The computation begins with the approved Mega-Arbitration local switching rate, which is a blended per-minute rate based upon an average call of 2.34 minutes. The BNF studies in Docket No. 16657 were computed with independent set-up (per call) and duration (per minute) components. The ratio of the two is used to compute rates based upon Mega-Arbitration inputs. Jointly, SWBT witness Mr. Smith and AT&T witness Mr. Rhinehart agree that a 75% large offices/25% small offices mix is appropriate for this computation.

[191] SWBT Ex. No. 28, Affidavit of Barbara Smith.

[192] Tr. at 241-255 (April 4, 2000).

[193] Taylor Comm. Post-Hearing Brief at 32 (April 19, 2000).

support.[194] Intermedia, Focal, Winstar, TW, NEXTLINK, and Allegiance express concern over the costs associated with administration and billing of a two-part rate.[195] Finally, SWBT rejects application of the bifurcated rate to ISP-bound traffic.[196]

### (b) Commission Decision

*While the parties argue against the implementation of the bifurcated end-office rate at this time, those parties, with one exception, nevertheless agree that the bifurcated rate independently calculated by Mr. Rhinehart and Mr. Smith is reasonable. The Commission is not persuaded that the costs of implementation, administration, and billing outweigh the benefits of this cost-based rate, which more specifically accounts for the structure of the costs incurred. Moreover, the Commission finds that there is sufficient evidence in the record to support adoption of the bifurcated end-office rate. Furthermore, the Commission finds that this two-part end-office rate minimizes the debate about average call length. The Commission concludes that the two-part end-office rate, consisting of (1) a per call charge for the compensation of setup costs ($0.0010887 per call) and (2) a per minute charge ($0.0010423 per minute) for the compensation of volume-sensitive costs, shall be applied to all local traffic, including ISP-bound traffic.*

*The Commission re-adopts the inter-office transport and tandem switching rates adopted in the Mega-Arbitrations. The bifurcated end-office rate, the tandem switching rate, and the inter-office transport rates approved in this Order shall be applied to the rate structures approved under DPL Issue No. 2.*

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[194] Post Hearing Reply Brief of KMC at 3 (April 26, 2000), Level 3 Post Hearing Brief at 32 (April 19, 2000) and Reply Brief of Adelphia and CCCTX, Inc. D/B/A Connect! at 8 (April 26, 2000).

[195] Initial Brief of Focal at 13 and Initial Brief of Allegiance at 18 (April 19, 2000); Reply Brief of Winstar at 5, Reply Brief of TW at 6, NEXTLINK's Reply Brief at 4, and Intermedia Reply Brief at 4 (April 26, 2000).

[196] SWBT's Supplemental Brief on "Blended Rate" Issue at 8 (May 26, 2000).

## D. DPL ISSUE NO. 4: WHAT IS THE APPROPRIATE METHOD BY WHICH TO BILL FOR THIS TRAFFIC?

### *(a) The Current Billing System*

SWBT and CLECs currently calculate, verify, and bill for reciprocal compensation using a combination of originating records, terminating records, and factoring systems. In some instances, the companies are using a bill-and-keep system. Since 1994, SWBT has used an originating records system to bill for access compensation for LEC-carried intraLATA toll, local, extended area service (EAS), and transit traffic.[197] Throughout this proceeding, is system has been referred to as the "92 records" system, the "Primary Carrier" System (PCS), or the "92-99" records system.[198]

Today, if either an ILEC or a facilities-based CLEC routes a call over SWBT facilities, billing is processed using the 92 originating records process.[199] The 92 process registers usage at the point at which the call enters or originates on the network and identifies the company that receives the call.[200] The originating company then provides the records to the terminating company, which verifies and uses the records to bill the originating company for reciprocal compensation.[201] If a third-party customer places a call to a CLEC customer, and SWBT transports the call over its network, then the originating company provides records to both the transiting carrier, SWBT, and the terminating CLEC. SWBT and the terminating CLEC verify the records and use them to bill the originating company for reciprocal compensation.[202]

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[197] SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 4-5; Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 6.

[198] In this Award, SWBT's originating records exchange and billing system is referred to as the "92 originating records process" or the "92 process." This Award will refer to the originating records used in this process as "92 records."

[199] SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 4.

[200] SWBT Ex. No. 1, Direct Testimony of Paul L. Cooper at 9-10.

[201] SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 7.

[202] *Id.*

Currently, SWBT and AT&T exchange records using the 92 originating records process when AT&T delivers its customer's calls to SWBT using AT&T 4E and 5E switches. However, where the 4E switch is used, AT&T and SWBT exchange records for verification purposes only and use a separate process for billing. For calls traversing AT&T's 4E switch, SWBT bills AT&T at the access rate. AT&T then applies a SWBT approved factoring process to credit the overcharged rate on AT&T's access bill.[203] For SWBT originated calls that traverse AT&T's 4E switch, AT&T and SWBT exchange records and bill via the 92 originating records process.[204] Where AT&T's 5E switches are used, AT&T and SWBT exchange records for verification purposes to test the 92 originating records exchange process. During this period, the companies use bill-and-keep.[205] When AT&T uses a SWBT unbundled switch element (UNE), the companies exchange records and bill via the 92 originating records process.[206] In such an instance, however, SWBT sends Category 11 records to AT&T for purposes of verifying these calls.[207] The 92 process is also used when AT&T operates as an unbundler.[208]

SWBT uses the Carrier Access Billing System (CABS) to bill for access compensation when calls are passed over interexchange carrier (IXC) facilities. This system uses "Category 11" terminating records,[209] the CLECs' preferred alternative. Category 11 terminating records are call records collected by the carrier that terminates the call. The two types of records contain similar information.[210]

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[203] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 7.

[204] *Id.*

[205] *Id.* at 8.

[206] *Id.*

[207] Tr. at 646 (April 5, 2000).

[208] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 6.

[209] SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 4.

[210] This Award refers to the terminating record exchange and billing system as the "terminating records process." It refers to the terminating records used in this process as "Category 11 records."

*(b) CLECs' Positions*

The CLECs present a number of arguments for abolishing the current 92 originating records process. ICG identifies the incentive that occurs when originating carriers instruct the terminating carrier on the amount of reciprocal compensation that the originating carrier must pay as one problem with the current system.[211] ICG believes that it should by compensated by SWBT using a terminating records process similar to that used in the competitive interLATA marketplace.[212] WCOM opposes the collection of data needed to render the bill by the carrier that will ultimately pay the bill.[213] e.spire argues that the Commission should audit SWBT to identify the origin and types of traffic directed onto e.spire's network.[214]

Some CLECs note that they are unable to verify the records created by the 92 originating records process.[215] Consequently, AT&T and SWBT use a factoring process to bill for these calls.[216] Since AT&T is still working to implement the process for its 5E switches, AT&T and SWBT are using bill-and-keep.[217] Taylor Comm. exchanges records and bills SWBT using the 92 originating records process, but is unable to verify the accuracy of the records.[218]

Several parties have experienced discrepancies between their own terminating records and SWBT's originating records. ICG testifies that its discrepancy is significant, but is unable to determine its exact cause.[219] ICG believes that its own terminating records are inherently more

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[211] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 16.

[212] *Id.* at 17.

[213] WCOM Ex. No. 1, Direct Testimony of Don Price at 32.

[214] e.spire Post Hearing Brief at 32 (April 19, 2000).

[215] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 6.

[216] *Id.* at 7.

[217] *Id.* at 8.

[218] Taylor Comm. Ex. No. 3, Direct Testimony of Charles D. Land at 26.

reliable than originating records.[220] ICG concurs that SWBT transports and terminates third party traffic to ICG, and that those third parties (including wireless carriers that do not participate in the 92 records process) do not provide billing records to ICG.[221] ICG also notes that terminating companies may not have a terminating recording method that identifies all third party traffic.[222]

AT&T prefers terminating records for calls involving unbundled switch elements (UNE-p) and local number portability (LNP).[223] ICG notes that, when a carrier using a SWBT UNE-p switch port, additional processing is required for the 92 records process to identify the originating company.[224] LNP further complicates the 92 records process by making it even more difficult for the terminating carrier to identify the originating carrier.[225] WCOM concurs that there are shortcomings with the 92 records exchange process for UNE-p and LNP calls.[226]

A number of parties object to the 92 originating records process in part because it is not an industry standard, pointing out that, the National Ordering and Billing Forum (OBF) has not approved the 92 originating records process.[227] ICG points out, and WCOM and AT&T concur, that while the 92 process uses some information that could be considered standard billing data, many fields in the 92 record are not standard and are modified from state to state within SWBT's operating territory.[228]

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[219] Coalition Ex. No. ICG-7, Direct Testimony of Kenneth D. Davis at 4, 8; CLEC Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 9.

[220] Coalition Ex. No. ICG-7, Direct Testimony of Kenneth D. Davis at 9.

[221] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 15.

[222] Coalition Ex. No. ICG-10, Rebuttal Testimony of William J. Warinner at 4.

[223] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 8.

[224] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 12.

[225] *Id.*

[226] WCOM Ex. No. 1, Direct Testimony of Don Price at 32.

[227] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 10.

Some CLECs believe that the 92 originating records process is a duplicative and unnecessary financial burden. AT&T states that it already collects terminating records which, if used for billing, would eliminate the cost of the 92 process.[229] AT&T asserts that it can bill for reciprocal compensation using a terminating records process when using its own network, so long as SWBT sends complete call detail with the call.[230] AT&T asserts that it can also bill reciprocal compensation using a terminating records process for local, EAS, and intraLATA traffic.[231] ICG believes that the 92 originating records process itself is complex and expensive to implement and maintain.[232]

The CLECs also object to the 92 originating records process in part because it was not originally intended for use in a competitive environment. ICG points out that SWBT originally designed this process for use in the Missouri Primary Toll Carrier Plan implemented prior to the commencement of local and intraLATA toll competition.[233] The Coalition believes that the LECs for whom SWBT designed the system may not have been as sensitive to the system accuracy as CLECs.[234] In addition, the Coalition notes that the system was designed for much smaller volumes of traffic than it currently experiences.[235]

Several CLECs propose alternatives to the 92 originating records process. ICG proposes that reciprocal compensation settlements be based on each carrier's measurement of traffic that terminates on its own network.[236] ICG contends that these recordings would be taken at either

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[228] *Id.* at 9; WCOM Ex. No. 1, Direct Testimony of Don Price at 32; and AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 5.

[229] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 9.

[230] AT&T Ex. No. 10, Rebuttal Testimony of Shannie Marin at 5.

[231] *Id.*

[232] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 5.

[233] *Id.* at 16.

[234] Coalition Ex. No. CLEC-1, Direct Testimony of William Page Montgomery at 60.

[235] *Id.*

the tandem or end office and would provide a usage record from which to bill the originating carrier directly for reciprocal compensation.[237] ICG notes that Category 11 records are consistent with OBF standards.[238]

AT&T and WCOM recommend that Category 11 terminating records be used to bill for reciprocal compensation.[239] AT&T suggests that, so long as SWBT sends complete call detail with each call, including "to" and "from" numbers and the originating company number (OCN), it can bill from terminating records.[240] AT&T notes that the "to" and "from" numbers are available in the call signaling and the OCN can be obtained using the LERG database.[241] WCOM also notes that its switches are able to record terminating records for billing purposes.[242] In addition, CLECs note that, if the Commission decides to implement a tandem compensation rate, the CLECs would be able to gather the information needed to bill for the tandem rate using the proposed terminating records system.[243]

ICG proposes billing SWBT for all minutes that it terminates to ICG over SWBT trunk groups, even if this traffic originated with another carrier--a process similar to payment arrangements between IXCs and ILECs.[244] ICG clarified, and AT&T concurred, that it does not propose to bill the transiting company for reciprocal compensation, but only wishes to bill the originating carrier. ICG prefers that when SWBT transports a call over its network, SWBT bill

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[236] Coalition Ex. No. ICG-8, Direct Testimony of Roger L. Arnold at 3; Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 16.

[237] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 16.

[238] Tr. at 626 (April 5, 2000).

[239] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 3; WCOM Ex. No. 1, Direct Testimony of Don Price at 33.

[240] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 4.

[241] Tr. at 662-663 (April 5, 2000).

[242] WCOM Ex. No. 1, Direct Testimony of Don Price at 33.

[243] Tr. at 651 (April 5, 2000).

[244] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 17.

the originating carrier for reciprocal compensation.[245] The CLECs note that Category 11 terminating records do not identify all of the carriers within a call path, but can only identify one transiting carrier.[246]

ICG and AT&T suggest that SWBT recover the costs of transiting traffic from the carriers whose traffic it transports.[247] In the alternative, ICG proposes that the Commission ensure SWBT's cooperation in providing all necessary information to identify the carriers that are transporting calls over its network. ICG then proposes to use its own terminating records to establish the correct amount of reciprocal compensation due from SWBT.[248]

The CLECs note that they are capable of using terminating records to bill the originating carrier for UNE-p and ported calls by using the location routing number, passed along in switching, and the Local Exchange Routing Guide (LERG) to determine who owns the calling number.[249] AT&T states that Pacific Bell is able to provide the OCN of any carrier operating with an unbundled switch, ensuring accurate billing to all parties.[250]

*(c) SWBT's Position*

SWBT prefers to continue using the 92 originating records process for a number of reasons, primarily because it is currently in use and it is the only process that provides the information needed to compensate all companies for use of their facilities.[251] SWBT further

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[245] Tr. at 629, 636 (April 5, 2000).

[246] *Id.* at 575-576.

[247] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 17; AT&T Ex. No. 10, Rebuttal Testimony of Shannie Marin at 6; Tr. at 575 (April 5, 2000)

[248] Coalition Ex. No. ICG-9, Direct Testimony of William J. Warinner at 17.

[249] Tr. at 658 (April 5, 2000).

[250] AT&T Ex. No. 9, Direct Testimony of Shannie Marin at 4.

[251] SWBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 5.

indicates that by using originating records, the 92 process avoids the problem of billing a carrier for third party traffic that merely transits its network.[252] SWBT does not believe that this proceeding is an appropriate forum for addressing billing and records exchange processes because a change in any process would affect all the ILECs and facilities-based CLECs in Texas.[253] SWBT notes, and AT&T's witness agrees, that the CLECs do not agree on an alternative records exchange and billing process.[254]

SWBT discusses at length the Connecting Network Access Recording (CNAR®) and AcceSS7® systems used on their network and their ability to make terminating recordings.[255] Although the AcceSS7® system does record terminating usage and SWBT is currently testing it for use as a billing system, SWBT nonetheless contends that the AcceSS7® system is not ready for use as billing system.[256] In addition, SWBT currently has not installed the CNAR® system, which creates a terminating record, on all of its switches.[257] SWBT notes that, if the Commission were to mandate a terminating records process, it could use the 92 records process to verify bills received for reciprocal compensation.[258] Until SWBT is able to generate terminating recordings, ICG notes that it can continue to give SWBT originating records for traffic that it terminates onto SWBT's network.

SWBT counters criticisms regarding accuracy by pointing out ICG's testimony indicating that the terminating records from ICG switches are unable to identify the originating party on all recorded traffic.[259] SWBT also notes that ICG's method of using the Local Exchange Routing

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[252] SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 14.

[253] *Id.* at 7.

[254] *Id.* at 20; Tr. at 583 (April 5, 2000).

[255] Coalition Ex. No. ICG-8, Direct Testimony of Roger L. Arnold.

[256] Tr. at 588, 590, 644 (April 5, 2000).

[257] *Id.* at 609, 600.

[258] *Id.* at 667.

Guide (LERG) to identify traffic that is originated on SWBT's network does not work for calls involving local number portability (LNP). SWBT further points out that the 92 originating records process identifies the originating caller for LNP calls and calls that involve unbundled switch elements.[260] Finally, SWBT notes that CLECs, with whom ICG has not negotiated reciprocal compensation and records exchange agreements, could be sending traffic to ICG customers.[261]

SWBT strongly opposes any alternative that results in CLECs billing SWBT for third party traffic carried over SWBT's network, asserting that the CLECs are responsible for establishing agreements with third-party carriers.[262] SWBT believes that companies that terminate traffic should bill the originating carriers directly.[263] SWBT notes that its interconnection agreements address this issue.[264] SWBT further notes that the FTA does not obligate SWBT to perform a third-party billing and collection function.[265]

SWBT points out that the terminating records process proposed by AT&T and supported by other parties has limitations. Category 11 terminating records require SWBT to send complete call detail information already provided by the 92 originating records process.[266] In addition, SWBT notes that Category 11 records do not contain the information needed to identify all the parties on the call path, making it difficult for the terminating carrier to bill all the carriers involved in completing the call.[267] Finally, SWBT does not believe that moving to terminating

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[259] SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 4.

[260] *Id.*

[261] *Id.* at 16.

[262] *Id.* at 3.

[263] *Id.* at 2; WBT Ex. No. 10, Direct Testimony of Joe B. Murphy at 7.

[264] SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 3.

[265] *Id.* at 15.

[266] *Id.* at 17.

records will solve the data problems discussed in this proceeding unless all companies' exchange records.[268]

### *(d) Commission Decision*

*The Commission acknowledges that the lack of agreement of the parties with respect to billing issues extends to the national level. Moreover, the Commission notes that the common practice in our economy is to generally rely upon the records of the party that remits a service (e.g. the terminating carrier) and submits a bill to the recipient of that service (e.g., the originating carrier). Therefore, the Commission concludes that, where technically feasible, the terminating carrier's records shall be used to bill originating carriers (excluding transiting carriers) for reciprocal compensation, unless both the originating and terminating carriers agree to use originating records. The Commission further concludes that where a terminating carrier is not technically capable of billing the originating carrier (excluding transiting carriers) through the use of terminating records, the terminating carrier shall use any method agreed upon between the parties. The Commission finds that the use of terminating records among the parties to bill for reciprocal compensation is a more efficient and less burdensome method to track the exchange of traffic. Terminating records impose less cost upon the terminating carriers than the previous regulatory scheme that used SWBT's 92/99 originating records to bill for reciprocal compensation.*

*The Commission notes SWBT's concerns regarding transiting traffic and concludes that terminating carriers shall be required to directly bill third parties that originate calls and send traffic over SWBT's network. Transiting carriers shall bill the originating carrier using terminating or originating records based upon existing contract terms between the originating and transiting carrier.*

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[267] *Id.* at 6, 17, 19. Parties noted that Category 11 terminating records do not identify all of the carriers within a call path, but can only identify one transiting carrier. Parties also agreed that while 92 originating records can identify up to eight parties within the call path, Category 11 records can only identify one transiting party. *See* Tr. at 563, 575-577 (April 5, 2000).

[268] SWBT Ex. No. 11, Rebuttal Testimony of Joe B. Murphy at 19.

*The Commission recognizes that there may be disagreement over the content and/or accuracy of a carrier's termination records and expects that such disputes will be settled among the parties. The Commission notes, however, that when a balance in the traffic between originating and terminating carriers eventually occurs, a bill-and-keep system could be adopted that would eliminate the need for exchange of terminating records.*

SIGNED AT AUSTIN, TEXAS the 12th day of July, 2000.

PUBLIC UTILITY COMMISSION OF TEXAS

PAT WOOD, III, CHAIRMAN

JUDY WALSH, COMMISSIONER

BRETT A. PERLMAN, COMMISSIONER

**Staff Arbitration Advisors**

**Jingming Chen, Katherine Farroba, Steve Davis, Mark Gladney, Adriana Gonzales, Todd Kimbrough, Anne McKibbin, Donna Nelson, Meena Thomas, Pamela Whittington, Patricia Zacharie, and Diana Zake.**

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# ATTACHMENT A

# DOCKET NO. 21982
# ARBITRATION AWARD
# ATTACHMENT A

| Mega Arbitration Interconnection Rates[1] | |
|---|---|
| **Rate Element** | **Rate** |
| Tandem Switching | $0.000794/MOU |
| Blended Transport | $0.000399/MOU |
| Term. Zone 1(Rural) | $0.000144/MOU |
| Term. Zone 2 (Suburban) | $0.000135/MOU |
| Term. Zone 3 (Urban) | $0.000123/MOU |
| Term. Zone 4 (Interzone) | $0.000187/MOU |
| Term. Statewide Average | $0.000135/MOU |
| Fac. Mi. Zone 1 (Rural) | $0.0000101/MOU |
| Fac. Mi. Zone 2 (Suburban) | $0.0000032/MOU |
| Fac. Mi. Zone 3 (Urban) | $0.0000011/MOU |
| Fac. Mi. Zone 4 (Interzone) | $0.0000033/MOU |
| Fac. Mi. Statewide Average | $0.0000021/MOU |
| End Office Switching | $0.001507/MOU |

| Bifurcated End Office Switching Rate[2] | |
|---|---|
| **Rate Element** | **Rate** |
| Set-up | $0.0010887/call |
| Duration | $0.0010423/MOU |

[1] Docket No. 16189, *et al*, Second Mega-Arbitration Award (Dec. 19, 1997).
[2] *See* AT&T Ex. No. 11, Affidavit of Daniel P. Rhinehart and SWBT Ex. No. 28, Affidavit of Barbara A. Smith.